

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC. d/b/a AQUILA NETWORKS	DOCKET NO. EEP-03-4
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**ORDER APPROVING PLAN, CANCELING PROCEDURAL SCHEDULE, AND
REQUIRING ADDITIONAL FUNDING AND INFORMATION**

(Issued July 21, 2003)

On May 30, 2002, the Utilities Board (Board) issued an order directing Aquila, Inc. (Aquila), to file its new energy efficiency plan on or before March 31, 2003. Aquila filed its proposed plan on March 31, 2003. Aquila provides natural gas service in Iowa so the plan contained gas programs only. The Board docketed the filing, identified as Docket No. EEP-03-4, and established a procedural schedule by order issued April 22, 2003.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) is the only other party to this proceeding. On June 2, 2003, Consumer Advocate filed a response to Aquila's plan stating that Aquila and Consumer Advocate had resolved all issues during the collaborative process before the plan filing. Consumer Advocate said it had thoroughly reviewed the proposed plan and found that it adequately and accurately reflects all of the outstanding issues

previously resolved between Aquila and Consumer Advocate. Consumer Advocate recommended that the plan be approved and implemented as soon as possible.

The Board has reviewed the new plan and does not have any questions regarding the plan that would require a hearing. Therefore, the remainder of the procedural schedule, including the hearing scheduled for September 23, 2003, will be canceled.

While a formal settlement was not filed in this proceeding, the fact that the filed plan reflects the agreements between Aquila and Consumer Advocate makes the Board's review similar to that of a formal settlement. Subrule 199 IAC 7.2(11) provides that the Board will not approve a settlement unless it "is reasonable in light of the whole record, consistent with law, and in the public interest." The Board finds that the filed plan meets these standards and will approve it.

The plan provides for increases in the energy efficiency budget and contains some new initiatives for innovative space and water heating technologies, high efficiency residential construction, energy education, and funding to upgrade new low-income residences through Habitat for Humanity. The plan as a whole and each individual program were shown in the filing to be cost-effective. The Board is concerned about the impact of projected natural gas prices on residential customers, and is pleased that Aquila uses two energy-auditing companies to meet any unexpected demand for energy audits.

Because of the possibility of significantly higher natural gas prices this winter, the Board is concerned that new programs that could reduce gas consumption, particularly for residential customers, be implemented as soon as possible. Aquila has agreed to implement programs that address furnaces, envelope measures, energy audits, and low-income weatherization on or before October 1, 2003. Therefore, for implementation and accounting purposes, the new plan will be effective October 1, 2003.

The Board understands that some new or modified programs will not be implemented until January 2004. These include water heater replacement, residential new construction, school-based energy education, and low-income Habitat for Humanity. However, the Board expects new or modified programs to be implemented as soon as possible and expects current programs to continue until the new or modified alternatives are available so customers will be able to take advantage of the widest variety of programs possible for the upcoming winter heating season. Because of the overlap, the old plan and new plan will coexist between October 1, 2003, and the delayed implementation of new programs in January 2004. Aquila will separate the plans for accounting purposes. Allowing the two plans to overlap for a short period ensures maximum customer flexibility with respect to available programs.

The Board will require one modification to the plan's budget. The Board does not believe the amount included in Aquila's plan for low-income weatherization is

sufficient. While the filing does not contain sufficient information to determine an appropriate amount, the amount included, \$240,000 per year, appears clearly inadequate and the Board will direct Aquila to increase its budget for low-income weatherization to \$480,000 per year, beginning October 1, 2003. The Board's staff contacted the parties regarding the potential for increased low-income funding and neither party wanted a hearing on the issue. As discussed below, the Board will also direct Aquila to submit a report addressing certain low-income issues and, depending on what the report shows, additional low-income assistance or promotion may be required.

As noted in the discussion on low-income funding, the Board believes some additional information and research is required to assist the Board and others in ongoing plan review. First, Aquila shall use its best efforts to obtain readily available information on low-income weatherization, and provide by September 1, 2003, a report to the Board addressing the following items:

1. An assessment of barriers to expanded low-income weatherization related to availability and training of contractors or weatherization personnel needed to implement expanded programs.
2. An assessment of the need for and impact of multi-year reliable funding for low-income weatherization programs.

3. An assessment of the need for assistance to public and private agencies to improve energy efficiency for low-income residents in rental properties, emergency shelters, or other dwellings owned by third parties.

4. An estimate of funds needed by weatherization agencies to complete all reasonably feasible energy efficiency improvements for all eligible Aquila low-income residential customers by December 31, 2013.

The Board required Interstate Power and Light Company to file similar information with respect to low-income weatherization in its service territory. See, Interstate Power and Light Company, "Final Decision and Order," Docket No. EEP-02-38 (6/3/03). Depending on what the results of Aquila's report shows, the Board by subsequent order may consider modifications to the plan to provide additional assistance to low-income customers. The high gas prices projected have a disproportionate impact on low-income customers because of the higher percentage of their income that must be used to pay for energy to heat their homes.

Information regarding the entire plan is also needed for ongoing review. Aquila will be required to file a comprehensive annual report for the previous calendar year of implementation on or before May 1 of each year, beginning in 2004. The first comprehensive report must address information for the calendar years 1999 through 2003. The report shall include at least the following:

1. Data for the previous calendar year on planned and actual expenditures, planned and actual energy and capacity savings, and planned and actual participation.

2. Data reporting for the previous calendar year on the actual number of energy efficiency measures, audits, or other actions taken by customers, listed by program and within programs by type of measure or action.

3. Data reporting for the previous calendar year on the benefits and costs of each program, using the benefit-cost tests in the Board's rules and the avoided costs in the plan.

4. Short narrative descriptions of the implementation of each program, describing significant changes in program implementation, notable developments, and any observations about future implementation of each program.

IT IS THEREFORE ORDERED:

1. The energy efficiency plan filed by Aquila, Inc., on March 31, 2003, is approved.

2. Effective October 1, 2003, Aquila shall double the amount in its plan for low-income weatherization programs.

3. Aquila shall file a comprehensive annual report on or before May 1 of each year, beginning May 1, 2004, containing the information described in this order.

4. Aquila shall file a report on or before September 1, 2003, containing the information described in this order with respect to low-income weatherization.

5. The procedural schedule issued April 22, 2003, including the hearing scheduled for September 23, 2003, is canceled.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Sharon Mayer
Executive Secretary, Assistant to

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 21st day of July, 2003.